

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF OHIO
EASTERN DIVISION

UNITED STATES OF AMERICA,

Plaintiff,

vs.

ELIE F. ABBODD AND
MICHEL F. ABBODD,

Defendants.

(TESTIMONY OF CAROLINE STRADER)

FILED
2004 FEB 11 PM 12:00
CLERK U.S. DISTRICT COURT
NORTHERN DISTRICT OF OHIO
CLEVELAND

TRANSCRIPT OF PROCEEDINGS

HAD BEFORE THE HONORABLE JOHN M. MANOS,

JUDGE OF SAID COURT, AND A JURY,

ON FRIDAY, FEBRUARY 6TH, 2004

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Court Reporter:

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Proceedings recorded by mechanical stenography, transcript

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produced by computer-aided transcription.

Strader - Direct

1 February 6, 2004

2 THE COURT: Call your next witness.

3 MR. KALL: Your Honor, the government calls
4 Caroline Strader.

5 CAROLINE STRADER

6 of lawful age, a witness called by the GOVERNMENT,
7 being first duly sworn, was examined
8 and testified as follows:

9 DIRECT EXAMINATION OF CAROLINE STRADER

10 BY MR. KALL:

11 Q. Could you please state your name and spell your last
12 name?

13 A. Caroline Strader, S-T-R-A-D-E-R.

14 Q. Did you formerly go by a different last name?

15 A. Yes.

16 Q. What was that?

17 A. Caroline Brigham. B-R-I-G-H-A-M.

18 Q. Have you also been known as Caroline York at some
19 time?

20 A. Yes.

21 Q. Ms. Strader, where are you employed?

22 A. I'm currently not employed. I'm living out of state
23 and working on a consultant basis for my previous employer,
24 First Place Bank.

25 Q. Where is the First Place Bank located?

Strader - Direct

1 A. First Place Bank is located in Warren, Ohio.

2 Q. Can I ask you to pull the microphone a little closer
3 so everyone can hear you.

4 Have you ever worked at Star Bank?

5 A. Yes.

6 Q. When were you employed at Star Bank?

7 A. I was employed at Star Bank in 1992. The Star Bank
8 merged with FirStar and U.S. Bank Corp. I was employed
9 with that organization until November 2000.

10 Q. In what area did you work at that bank?

11 A. The cash management, or treasury management area.

12 Q. Can you please describe what the treasury management
13 or cash management area does?

14 A. Yes. That's the area that designs the cash
15 management system to help clients with cash flow. We
16 provide and implement services for account reconciliation,
17 investment, business checking accounts, balance reporting,
18 internet services.

19 Q. And were you employed in that area in approximately
20 '95, '96?

21 A. Yes.

22 Q. During that time, did you -- did Star Bank ever have
23 any business relationship with Elie and Michel Abboud?

24 A. Yes, with Randall Financial Services.

25 Q. Did you understand that to be their business?

1 A. Yes.

2 Q. Are you aware how and when that relationship began?

3 A. Yes.

4 Q. Can you describe how and when that began?

5 A. Okay. As I recollect, it might have been 1994, '93,
6 time frame, Eric Pawnther, the relationship manager at one
7 of our branches, introduced us to Randall Financial,
8 Elie and Michel Abboud, to provide cash management services
9 for their convenient locations and their money order
10 service.

11 Q. What specifically were they looking for Star Bank to
12 do?

13 A. They were looking for Star Bank to provide
14 disbursement services for operating accounts and accounts
15 payable for the convenient stores, and also for the money
16 orders. They needed a checking account for the money
17 orders to clear the money orders.

18 Q. Can you describe how the money order process would
19 work?

20 A. Money order processing would work exactly like any
21 other check; it would go through the clearing system. What
22 we did, we provided them with a business checking account
23 along with their operating accounts. I think there were
24 four to five accounts that were their disbursement
25 accounts. We established a main operating account which

Strader - Direct

1 would be their funding account, so that way, when the
2 checks would clear, the disbursement accounts would act as
3 a zero balance account and the main account would fund all
4 those subordinate or subsidiary accounts automatically for
5 them so they wouldn't have to deposit money in each
6 individual account.

7 Q. Could you please describe how a money order would go
8 from the Abboud stores through to Star Bank, how that
9 process would operate?

10 A. Sure. At the convenient locations, they would issue
11 money orders to their customers, or clients, and those
12 clients would retain them, use them and deposit them or use
13 them as payment for rent or whatever. Those items would go
14 then to whoever their customer came to at First Bank
15 depository. First Bank, a depository, would forward them
16 on to --

17 THE COURT: Would you slow down a little? We
18 have a court reporter who must take everything down.
19 You're going a mile a minute.

20 THE WITNESS: I'm sorry. That's my
21 personality. I'm very sorry.

22 The First Bank, a depository, would forward the items
23 on to the Federal Reserve Bank. Part of the money order
24 account that Randall Financial retained with us had a
25 controlled disbursement feature which ensured that all

Strader - Direct

1 money order accounts would go right directly to the Federal
2 Reserve Bank.

3 At the Federal Reserve Bank it would then, Federal
4 Reserve would report the information to Star Bank so that
5 way early in the morning, Randall Financial would have that
6 clearing information so they would know how much to fund
7 the main operating account. So they would not have to fund
8 the account until they knew what the clearing items would
9 be.

10 Q. How did Star Bank set it up for there to be that time
11 period between when the checks -- the money orders were
12 presented and when they had to make the deposit? How was
13 that set up?

14 A. That was set up through a balance reporting system.
15 Once we got the information from the Federal Reserve Bank,
16 we would pass it on to Randall Financial. There was
17 usually two presentments, one very early in the day and I
18 think the cut-off for the second was at 10:30. So by 11:00
19 each day, they would know exactly what was clearing, the
20 individual checks and the total dollar amount.

21 Q. How would they know that?

22 MR. SYNENBERG: Objection, your Honor.

23 THE COURT: If she knows, she may answer.

24 Answer the question.

25 THE WITNESS: Okay.

Strader - Direct

1 Q. How was that information reported to the Abbouds?

2 A. It was reported through a direct dial-up. We
3 provided them with a balance reporting software that would
4 allow them to dial up direct to our bank. They could dial
5 up as many times in the morning as they wished to look at
6 that clearing information and the total dollar amounts.

7 Q. Now you have referred to a zero balance account.

8 Are those the accounts that they would be looking
9 at?

10 A. Yes. Yes. They would also have access to the main
11 operating account to see what the balance was in the actual
12 funding account left over from the previous day. They
13 maintained a small balance in the account to keep the
14 account open.

15 Q. Could you please describe how the zero balance
16 account and the main account related with one another?

17 A. Okay. What we did, the accounts that were the zero
18 balance accounts, the items would clear those accounts, we
19 would report the information through the dial-up system and
20 then at the end of every night, the main account would
21 automatically fund the subordinate or subsidiary accounts
22 and return that back to zero. So every day, the zero
23 balance accounts would look to the main operating account
24 to be funded.

25 Q. What was supposed to be put into the main account?

1 A. A deposit to cover all the cleared items.

2 Q. You said this business came to Star in approximately
3 '93, '94, you said?

4 A. Yes.

5 Q. Did the Abbouds tell you -- strike that.

6 Where was this business before that, do you know?

7 A. I recall seeing some analysis statements from
8 National City. They showed me what they were paying as far
9 as service charges. They were looking for a bank to give
10 them more discount on service charges. And also they had
11 mentioned that they had accounts at Ameritrust, as I
12 recall, which became Key Bank, and Key Bank was not
13 interested in continuing to do business with them.

14 Q. Now when the business came in, can you describe the
15 volume of activity in the account?

16 A. There were quite a few money orders; most of the
17 volume came through as money orders. I can't remember the
18 number of items that would clear, but on a monthly basis,
19 service charges were probably anywhere from 15 to 2000 a
20 months. So there was quite a bit of activity. Banks
21 typically charge for all the ancillary services, like the
22 dial-up reporting. We charge purchase item fees; we charge
23 for the zero balance accounting. We also charge for the
24 control disbursement method.

25 Q. Were those service charges disclosed to the Abbouds

Strader - Direct

1 at the time the account was set up? How would they be
2 determined?

3 A. Yes. We prepared a proposal and each month Randall
4 Financial would get an account analysis schedule which
5 would show what was clearing the account.

6 Q. Did they ever complain about any problems with the
7 way Star was handling the account?

8 A. Probably the last year, Walter, who handled the
9 reconciliation, I think his name was Walter Rider, I had a
10 lot of communication with Walter, probably on a daily
11 basis, to make sure he had the right clearing information
12 or if he had any problems. From time to time, the account
13 was overdrawn, just because maybe a deposit was late or the
14 deposit was in-coded wrong. So we always paid the items,
15 and I worked closely with Walter to make sure the account
16 was in a positive way.

17 Q. Were there ever any issues regarding services that
18 the Abbouds wanted Star Bank to perform?

19 A. They discussed that they were having problems with
20 account reconciliation, this would be the statement they
21 would get at the end of the month. Some of the items that
22 were clearing, the statement did not have a check number on
23 it or a serial number, and in order to provide additional
24 account reconciliation for them, we would have to charge
25 using formal ARP, or account reconciliation processing for

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1 them, to automate it for them. But they didn't opt to use
2 that service because of the cost.

3 Q. The deposits that were made in to cover the money
4 orders, do you know the source of the funds?

5 A. Originally I was told, I never saw the deposits going
6 in --

7 MR. LILLIE: Objection.

8 THE COURT: Sustained.

9 Q. Did you have an opportunity to review the bank
10 statements and account information relating to these
11 accounts?

12 A. I would look at the account analysis statement from
13 time to time to make sure that we were charging the client
14 appropriately. As far as the deposits, I knew that funds
15 were being put on deposit at our Emory Richmond office in
16 the form of either cash or checks from Parkview at the
17 time, and that was early in the relationship.

18 Q. Did they tell you why they were checks or deposits
19 coming from Parkview?

20 A. Yes.

21 Q. What did they tell you?

22 THE COURT: Overruled. Are you objecting?

23 MR. SYNENBERG: I thought she was going to
24 answer a question that hadn't been asked, Your Honor.

25 THE COURT: There is no objection?

Strader - Direct

1 MR. SYNENBERG: No objection.

2 Q. What did the Abbouds tell you about those deposits?

3 A. In the original meeting that we had to bring them on
4 as a client, we wanted to have not just a disbursement
5 account, but we wanted to be able to put on deposit from
6 them their collections from the convenient stores, the true
7 receivables and that would be offsetting the disbursements
8 or money orders that would be clearing so that we would
9 have both sides of the cash management; the collections and
10 the disbursements.

11 They had mentioned to me that they had a very strong
12 relationship with Parkview and he was a major shareholder
13 and they gave him quite a few discounts on service charges.
14 So deposited items that would come through from the
15 deposit, if they brought it to us, we would be charging
16 them for it.

17 Q. They weren't willing to do that?

18 A. No. No. They didn't want to bring that piece of the
19 relationship over so we were informed they would fund the
20 accounts either through cash or check.

21 Q. Did something change with Star's relationship with
22 the Abbouds in approximately the summer of 1996?

23 A. Yes.

24 Q. What happened?

25 A. I received a phone call from our operations center

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1 that we had recently installed.

2 MR. SYNENBERG: Objection as to what --

3 THE COURT: Overruled. Do you want a side
4 bar, counselor?

5 MR. SYNENBERG: Yes, Your Honor.

6 (Side-bar conference had off the record.)

7 THE WITNESS: I received a phone call from
8 our operations center in Cincinnati, Ohio. They had
9 recently installed a new kiting suspect software system
10 they told me that they --

11 MR. SYNENBERG: Objection.

12 THE COURT: Sustained as to what they told
13 you.

14 THE WITNESS: Pete --

15 MR. SYNENBERG: Objection.

16 Q. Let me stop you there and ask a follow-up question.

17 As a result of the phone call that you received, what
18 did you do?

19 A. We needed to have a meeting with Randall Financial
20 and discuss closing their accounts with Star Bank.

21 Q. By Randall Financial, who specifically do you mean?

22 A. Michel and Elie Abboud.

23 Q. Why did you feel the need to have a discussion with
24 them about closing their accounts?

25 A. According to the operations officer --

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1 MR. SYNENBERG: Objection, your Honor.

2 THE COURT: Overruled.

3 THE WITNESS: They relayed information to me
4 that there was --

5 MR. SYNENBERG: Objection, your Honor.

6 THE COURT: Sustained as to what information
7 they relayed to her.

8 THE WITNESS: They relayed --

9 THE COURT: Wait a second.

10 Q. I'll ask a follow-up question.

11 What was your concern that led to the meeting to
12 close the accounts?

13 A. A risk exposure of up to a million dollars that the
14 Star Bank would be out.

15 Q. What was the reason for the risk of exposure of up to
16 a million dollars?

17 A. The kiting of checks through the Randall Financial
18 accounts.

19 Q. Is that something that had been picked up by the
20 check kiting detection software?

21 MR. SYNENBERG: Objection, your Honor.

22 THE COURT: She may answer.

23 THE WITNESS: Yes.

24 Q. And did you have a meeting?

25 A. Yes, we did.

1 Q. Who was present at that meeting?

2 A. The first meeting, it was a Harold DeBoe, which was
3 our security officer at the time. Judy Gunther was the
4 assigned branch manager. Henry Richmond, myself, Elie
5 Abboud, I'm not sure about Michel, and I think their
6 accountant was there.

7 Q. What did you tell him at the meeting?

8 A. Actually, Harold explained to them that we needed to
9 close the accounts.

10 MR. SYNENBERG: Objection, your Honor?

11 THE COURT: Overruled.

12 Q. Did Mr. DeBoe tell them why they needed to close the
13 accounts?

14 A. The mismanagement of the accounts, that there were
15 large dollar checks clearing the accounts. The kiting
16 software detects large dollar amounts going in and out of
17 the disbursement account and then being deposited in the
18 main operating account, large dollar, even dollar amounts.
19 And I think the checks were drawn on Huntington bank at the
20 time. It was very unusual for the money order account
21 because the money order account checks were only \$300
22 increments.

23 Q. Did Star close the accounts immediately?

24 A. No.

25 Q. Why not?

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1 A. We knew that there were still some checks issued out
2 there.

3 Q. By checks, you mean money orders?

4 A. The money order checks, we would only accept cleared
5 money order checks. We asked them not to issue any more
6 because we knew that would hurt the business and the
7 reconciliation. We let those checks clear as long as they
8 promised the funds for those items that were clearing and
9 they agreed, and part of the agreement was that we needed
10 actual available funds wired on a daily basis just to
11 offset those items that were clearing.

12 Q. You said there was a second meeting that was held?

13 A. There was a second meeting. I don't think I was
14 present in that meeting. Maybe just to tie up some loose
15 ends.

16 Q. You don't recall the details of that second meeting?

17 A. No, I don't.

18 Q. When did the Abbouds' relationship with Star Bank
19 relating to the money orders end?

20 A. I think we may have closed the last account probably
21 the last quarter of 1996. Checks were still clearing
22 previously on the checks that were written prior to August,
23 just to make sure those were funded and paid for.

24 Q. Are you personally aware of any banking activity the
25 Abbouds had at FirStar after that time?

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1 A. No.

2 MR. KALL: May I have a moment, Your Honor?

3 Q. Mrs. Strader, at the meeting that you described,
4 approximately when was that meeting you described with you,
5 Mr. DeBoe, the Abbouds; when was that?

6 A. Actually, probably the second week of August because
7 I was going on vacation; that's when they called me.

8 Q. August of what year?

9 A. 1996.

10 Q. At that meeting, did you use a certain term to refer
11 to what the Abbouds were doing?

12 A. No.

13 Q. What did you tell them?

14 A. The term was mismanagement of the account, un --
15 drawing on uncollected funds.

16 Q. Did you use the word kiting?

17 A. No.

18 Q. Why not?

19 MR. LILLIE: Objection.

20 THE COURT: She may answer.

21 THE WITNESS: Typically, what bank
22 representatives do, they really don't mention kiting.

23 MR. SYNENBERG: Objection, your Honor.

24 THE COURT: Sustained.

25 THE WITNESS: If we are the first --

Strader - Cross

1 Q. May I ask the previous question, that the objection
2 was overruled on be reread please, Your Honor?

3 (Question read back.)

4 THE COURT: I didn't hear the second
5 question; what was it?

6 THE COURT: She may answer.

7 MR. SYNENBERG: May we approach, Your Honor?

8 (Side bar conference had off the record).

9 Q. Mrs. Strader, what was the policy of Star Bank when
10 dealing with customers regarding potential kiting?

11 A. Not to actually use the word kite or kiting suspect.
12 The bank that finds that there is kiting, they are usually
13 the ones that -- we find the loss first. So the first
14 thing to do is to cover our losses and then ask them to
15 close the account.

16 Q. Is that why you didn't use the word kiting at that
17 time?

18 A. Yes.

19 MR. KALL: No further questions, Your Honor.

20 THE COURT: You may cross-examine.

21 CROSS-EXAMINATION OF CAROLINE STRADER

22 BY MR. SYNENBERG:

23 Q. Mrs. Strader, how long have you been in the banking
24 business?

25 A. 25 years.

1 Q. Have you spoken to an agent or other representative
2 from the government in the last three days?

3 A. Yes.

4 Q. Who?

5 A. I spoke with Dave Morgan.

6 Q. On how many different occasions?

7 A. I spoke with Dave Morgan on December 23rd, 2002.

8 Q. Just in the last three days, I'm talking in the month
9 of February 2004, have you talked with Agent Morgan or
10 anyone else from the government?

11 A. Dave Morgan, when he gave me my statement for the
12 deposition, and I don't know her name. She is in the back
13 of the Court, the young lady there.

14 Q. Special Agent Devereaux?

15 A. Yes. She gave me my reimbursement form.

16 Q. Have you talked with them about, not with respect to
17 your testimony here, but anything with respect to the case?

18 A. No.

19 Q. Now, do you recall that you were questioned on
20 December 23rd, 2002?

21 A. Yes.

22 Q. Do you recall being interviewed by an agent on
23 December 23rd, 2002?

24 A. That was Dave Morgan, yes.

25 Q. And do you recall at that point talking with

1 Mr. Morgan about how much Star Bank was making a year off
2 of the charges from Randall Financial Corporation?

3 A. Yes.

4 Q. How much was Star Bank generating in fees for
5 accounts that it was handling for the Abbouds on an annual
6 basis?

7 A. On an annual basis, it was probably anywhere -- I
8 would say about \$36,000 a year. About a hundred thousand
9 over the relationship because it may have been a three year
10 relationship.

11 Q. Isn't it a fact, that on December 23rd, 2002, you
12 told Mr. Morgan that while Randall Financial was a customer
13 of Star Bank, the fees generated by the account activity
14 were between 80 and \$90,000 per year?

15 A. I probably mentioned those figures over the whole
16 relationship. That's not per year. It was probably
17 \$36,000 a year and for the whole relationship Star Bank
18 made probably about 90,000 to \$100,000.

19 Q. So if he noted that in the notes from your interview,
20 he was mistaken?

21 A. Yes. Yes.

22 Q. Now did you deal very much with Elie and Michel
23 Abboud during the course of the relationship?

24 A. Yes. Yes.

25 Q. Was your principal contact one of the Abbouds or was

1 it Walter Ryder?

2 A. I would talk to Elie from time to time if he needed
3 something, or Walter. It was two or three times a week
4 that they would request information if there was a problem
5 with a statement, or just questions on the account.

6 Q. Were you involved with their Star Bank account from
7 the beginning of the relationship to the end of it?

8 A. Yes.

9 Q. Was there ever a point in time when you felt they
10 were withholding information from you?

11 A. No, because I didn't have any questions to ask them.

12 Q. I have never talked to you or met you before,
13 correct?

14 A. Yes.

15 Q. Nor has Mr. Lillie or Mr. Willis, correct?

16 A. Correct.

17 Q. Did you at any time feel, prior to the termination of
18 the relationship, that they had been anything but truthful
19 with you in your communications with them?

20 A. Yes.

21 Q. I'm sorry, yes?

22 A. Truthful. The conversations we had were pretty much
23 the mechanics of the account. Usually their information
24 they got in the morning, if there was a problem with
25 something through the dial-up, sometimes they would be

1 overdrawn, they would call me right away. It was just the
2 mechanics of the account, day-to-day, statement
3 information.

4 Q. Did you find that they were always responsive to
5 whatever requests were made from the bank?

6 A. Yes.

7 Q. So, for example, if it came up that they were
8 overdrawn because a deposit had been made late or
9 overlooked, did you find that they would respond to that?

10 A. Yes.

11 Q. Were they professional in their dealings with you?

12 A. Yes.

13 Q. Respectful?

14 A. Absolutely.

15 Q. Now you talked a little bit about -- you mentioned
16 several times about service charges.

17 Were service charges charged to the Abbouds something
18 that was of a concern to them in your opinion?

19 A. Yes. Just like any other business client, they want
20 to get the most services for the least price. Very typical
21 business person, yes.

22 Q. And would you say that someone whose annual service
23 charges were in the area of \$35,000 a year was one of your
24 more significant customers?

25 A. Probably medium size. Significant revenue is what

1 we're concerned about, uh-huh.

2 Q. And you said that you would look at the account
3 analysis to make sure that the service charges were enough.

4 Do you recall that testimony?

5 A. Not enough, but accurate. You know, making sure
6 everything was recorded, we were charging them
7 appropriately, and then when the account was debited each
8 month for the fees, that the money was there for us.

9 Q. Was the amount of the fees something that was
10 automatically determined by the computer system with
11 respect to the amount of volume and the service that had
12 been provided?

13 A. Yes.

14 Q. What else, if you were to look at the account
15 analysis, could you determine?

16 A. It would show average balances, average float,
17 average available or collected balance.

18 Q. When the relationship was terminated with the
19 Abbouds, had Star Bank made sure that all the money that
20 was due them was paid?

21 A. It probably was. You know, I don't think we did not
22 stop charging the fees. I mean it would just continue
23 until the accounts were closed.

24 Q. To your knowledge, Star Bank didn't lose any money?

25 A. That's correct.

1 Q. And are you familiar with suspicious activity
2 reports?

3 A. Yes.

4 Q. Have you been involved in the filing of suspicious
5 activity reports during your 25 years in banking?

6 A. No.

7 Q. Do you know -- have you had customers who you have
8 been involved with who have had suspicious activity reports
9 filed with, or on?

10 A. I was involved with Randall Financial. Mr. DeBoe
11 prepared a SAR, or a suspicious activity report.

12 Q. Isn't it true that nothing ever came of that?

13 A. Based on the fact that once the accounts were closed
14 and we did not lose any money, at that point I didn't
15 follow up with our security area. That is something that I
16 wasn't involved with.

17 Q. Do you know whether or not anyone from the FBI, or
18 any other regulatory or governmental agencies, came back
19 and inquired about the suspicious activity report?

20 A. That I do not know. No one contacted me.

21 Q. Now, are you familiar with the term carry-over?

22 A. Carry-over; in one way, yes.

23 Q. Which way are you familiar with it?

24 A. Carry-over of excess earnings credit.

25 Q. Well, let me ask you a question. If I was to go

1 into -- what time -- did you work at a branch or a
2 particular location?

3 A. I worked in the corporate offices.

4 Q. Was there banking performed? Did they have a branch
5 downstairs?

6 A. Yes.

7 Q. If someone came into the bank at Star Bank the last
8 moment of the day and made a deposit, when was it charged
9 against the account?

10 MR. KALL: Objection.

11 THE COURT: This is outside of the direct
12 examination. I'll allow this question. Confine yourself
13 to the direct examination.

14 Q. Was a charge -- if they were the last customer of the
15 day, at the last open teller at Star Bank, was it charged
16 against their account that day or the next day?

17 A. As I recall, at Star Bank at that time, they accepted
18 deposits up until the branch closes. There was no early
19 cut-off or carry-over to the next day. From what I
20 remember, 4:00 was the cut-off and that was it.

21 Q. So any deposit that was received by Star Bank was
22 charged against that account that day, is that correct?

23 A. Yes. It was posted to the account that day.

24 Q. Posted to the account that day?

25 A. Correct, uh-huh.

1 Q. Is that a decision that's made internally by the
2 bank, or is that a regulatory requirement?

3 A. Each bank is different based on their processing day.

4 Q. Now, you talked about Walter having complained about
5 account reconciliation.

6 Was that a complaint that he oftentimes shared with
7 you?

8 A. Yes.

9 Q. And was that because of the fact that the information
10 that was provided from Star Bank was inadequate for his
11 purposes of reconciling his books?

12 A. Yes.

13 Q. And I think you said that was because the statement
14 didn't provide the serial number of the money order or the
15 check number of the check?

16 A. Yes.

17 Q. So all he would get, say picking July 3rd, for
18 example, he would just have a number of numbers
19 representing dollars that would be for various money orders
20 and various checks, but he would not be able to compare
21 that to what had been sold or written?

22 A. He could, because there's also a tracer number on the
23 statement and on the back of the check. It would just
24 become more labor intensive for him to reconcile a large
25 volume account like that.

Strader - Cross

1 MR. SYNENBERG: Judge, I noticed it's the
2 noon hour, if this is a good time for you.

3 THE COURT: Do you have many more questions
4 of this witness?

5 MR. SYNENBERG: I have a few, Your Honor.

6 THE COURT: We'll take our noon recess.

7 You may proceed to lunch. You're admonished, as you
8 leave the courtroom and courthouse, that you are not to
9 discuss this case with anyone, not even amongst yourselves.
10 I'm going to reconvene at 1:15. I want you here in advance
11 of that hour so that we can convene earlier if possible.

12 Understanding that you're not to discuss this case
13 with anyone, not even amongst yourselves, the hour on which
14 we expect to convene and maybe earlier, I want you here in
15 advance of that hour.

16 We now are recessed.

17 (Luncheon recess had.)

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Strader - Cross

AFTERNOON SESSION

(Jury in.)

THE COURT: Continue with your cross-examination.

MR. SYNENBERG: Thank you, Your Honor.

Q. Mrs. Strader, your bank served really two functions with respect to the Abbouds; one was the cashing -- I'm sorry, one was an account or accounts for checks, correct and then one was the money orders, is that correct?

A. Checks and money orders are one and the same.

Q. Was -- were there different sections of the bank that would handle them, or was it all handled the same?

A. All handled the same.

Q. At the end of the month when the Abbouds would get their statements, would the checks and money orders they had written all be part of the same statement?

A. Yes. As long as they had the same account number on it, yes.

Q. I have set in front of you a book, I think it's entitled Defendant's Exhibit JJ. Could you turn to section JJ of that -- could you turn to the fourth page of that, please? It should be handwritten notes.

Do you see that?

A. Uh-huh.

Q. Are those your handwritten notes, by chance?

1 A. No.

2 Q. Do you know who they belong to?

3 A. I mean I could guess because it looks like --

4 Q. If you don't know, don't guess, please.

5 A. It could be one of the people that are missing here
6 that --

7 Q. If you don't know, that's acceptable. I just want to
8 know if they are yours.

9 They are not yours, is that correct?

10 A. That's correct.

11 Q. Very good.

12 Now with respect to the Abbouds and their account, is
13 it my understanding that on a zero balance account, the
14 person whose account it is does not have to make the
15 deposit to cover the checks until they are informed by the
16 bank that the checks have been presented for payment?

17 A. As long as the zero account has controlled
18 disbursement services.

19 Q. And the Abbouds have that, is that correct?

20 A. That's correct.

21 Q. If the Abbouds were to write a check on Monday that
22 didn't present itself to the zero bank account until
23 Thursday, they don't have to make the check good until
24 Thursday, is that correct?

25 A. Correct.

1 Q. On Thursday, they would be notified that that check
2 had been presented for collection and they would have to
3 make a deposit that date, is that correct?

4 A. All on the same day.

5 Q. Isn't it true, when the Abbouds set it up, it was
6 with the understanding that when they were notified the
7 checks had hit the zero balance account and they had to
8 make a deposit, they would be doing it with Parkview
9 Federal checks?

10 A. Yes.

11 Q. And that became a problem after awhile, didn't it?

12 A. It was not a problem until that they -- it wasn't a
13 problem until it was reported to us in Cleveland that they
14 were a kiting suspect.

15 Q. Even before then, didn't it become a problem with
16 respect to the fact that there were people in the bank
17 whose concern was that Star Bank was funding the Abbouds'
18 business growth interest-free?

19 A. No. No one, no.

20 Q. You don't remember Mr. DeBoe writing after the August
21 9, 1996 meeting, that the bank's concern was that because
22 the Abbouds were paying for the zero balance account with
23 checks, that they were, in effect, getting a longer float
24 and that Star Bank was funding their business
25 interest-free?

1 A. That would be his description of kiting, yes.

2 Q. So if he wrote the concern is that we are funding
3 their business growth interest-free, you're saying that
4 would be Mr. DeBoe's description of kiting, correct?

5 A. Yes.

6 Q. But, at that point in time, when this business issue
7 or kiting or whatever you want to call it came to
8 attention, then it is that point in time that Star Bank
9 decided to implement a new policy with respect to making
10 deposits in zero balance accounts, isn't it true?

11 A. I'm not aware of the new policy.

12 Q. Were you aware that there came a point in time when
13 Star Bank said to the Abbouds, we're not going to allow you
14 to use Parkview Federal checks to satisfy the zero account
15 balance demand, but we want you to have, when you get -- on
16 the date that you're notified that money is due in the zero
17 balance account, we want you to wire funds immediately from
18 Parkview rather than use a check?

19 A. Correct.

20 MR. KALL: Objection.

21 THE COURT: The question is quite lengthy.

22 Q. I'll break it down, Your Honor.

23 There came a point in time when Star Bank asked the
24 Abbouds to start wire-transferring money directly to the
25 zero balance account, is that correct?

1 A. That's correct.

2 Q. That was after the Abbouds, for years, had been using
3 checks to pay off the balances when they were due in the
4 zero balance account, is that correct?

5 A. That's correct.

6 Q. And when the Abbouds were paying off the 0 balance
7 accounts with checks, that was in effect giving them
8 another day or two float, correct?

9 A. Yes.

10 Q. Because why?

11 A. I can't answer that.

12 Q. Okay. When the Abbouds would pay off, on a Thursday
13 say, for example, if there was a thousand dollars due in a
14 zero balance account and the Abbouds came into Star Bank
15 and would write a check for a thousand dollars, when might
16 Star Bank get actual funds for that?

17 A. On the Parkview check, maybe one day.

18 Q. Okay. That would give the Abbouds an extra day
19 float, correct?

20 A. It wouldn't give them an extra day float, not at our
21 bank.

22 Q. Okay. But it would give them an extra day they had
23 at Parkview to make that check good, correct, because it
24 wouldn't be presented to Parkview until the following day,
25 correct?

1 A. That's correct.

2 Q. Nothing illegal about that, is there?

3 A. No.

4 Q. And there's nothing illegal, was there, about the
5 Abbouds giving Star Bank Parkview Federal checks to pay off
6 the demands that Star Bank made on the zero balance
7 accounts, correct?

8 A. Correct.

9 Q. You talked earlier in your testimony about an SAR.
10 Do you recall that, that you thought had been
11 generated?

12 A. Yes. That's what a security department would do in
13 the case of a possible suspect kiting client.

14 Q. I'm going to direct your attention to the third page
15 of Defendant's Exhibit JJ and ask you to take a look at
16 that and if you could tell us what that is; if you could
17 just identify that?

18 A. It must be the -- it's a security loss form that was
19 prepared by Harold DeBoe.

20 Q. Is that the same form as a security, as a SAR, a
21 suspicious activity report?

22 A. I have never seen a SAR but I know they exist.

23 Q. Have you seen a security loss form before?

24 A. No.

25 Q. So you don't know if this is the SAR or an internal

1 document in the bank, correct?

2 A. That's correct.

3 Q. But you do know now, looking at that, how much the
4 potential, reported potential loss was; does that refresh
5 your recollection?

6 A. What was told to me was a larger dollar amount.

7 Q. What does this show the dollar amount was?

8 A. 400,000.

9 Q. Okay. Now even after you have these meetings with
10 the Abbouds in 1996, isn't it true that Star Bank continued
11 to conduct business with the Abbouds?

12 A. Only to close the accounts at the business level.
13 The only accounts that I dealt with, that I was aware of
14 were that they had business with us. Once they were
15 closed, the relationship, the cash management department or
16 the corporate level in Cleveland was over.

17 Q. Were you aware that the money order relationship with
18 the Abbouds continued after that time?

19 A. No.

20 MR. KALL: Can I object to the form?

21 THE COURT: You didn't object timely.

22 MR. SYNENBERG: May I have a moment,
23 Your Honor?

24 Q. Isn't it true, that one of the services that were
25 provided the Abbouds was check-cashing?

1 A. I was unaware of that.

2 Q. Were you aware that the Abbouds would come in to Star
3 Bank to cash checks on a regular basis?

4 A. I was unaware of that.

5 MR. SYNENBERG: Thank you very much. I have
6 no further questions.

7 THE COURT: Mr. Lillie?

8 MR. LILLIE: No questions, Your Honor.

9 THE COURT: Anything further?

10 MR. KALL: Very briefly, please, Your Honor,

11 REDIRECT EXAMINATION OF CAROLINE STRADER

12 BY MR. KALL:

13 Q. FirStar, just start with following up on the last
14 question Mr. Synenberg asked you regarding the money order
15 business continuing, what was your understanding?

16 Did the Abbouds continue having any money order
17 business with Star after this period at the end of 1996?

18 A. Not that I know of, at all.

19 Q. And Star Bank did what, at the end of 1996?

20 A. I actually was the one that closed the original
21 account that they had opened through my department.

22 Q. If they had other checking accounts at Star Bank,
23 that wouldn't be something that would come to your
24 attention, would it?

25 A. Not unless they needed cash management services like

1 balance reporting or additional services other than just a
2 regular business checking account that they could run money
3 order checks through.

4 Q. Mr. Synenberg asked you some questions about who you
5 might have talked to in the government, and I'm not sure
6 you were clear as to the time frame and who you talked to.
7 I want to make clear that you and I did meet yesterday,
8 correct?

9 A. Yes. Briefly.

10 Q. And we briefly discussed the subject matters I would
11 be asking you about?

12 A. That's correct.

13 Q. And you talked about a reimbursement form you
14 received from Special Agent Devereaux.

15 Was that to cover your travel expenses, parking and
16 the like?

17 A. That's correct.

18 Q. You were asked some questions regarding your
19 communications with Mr. Ryder and money order
20 reconciliation.

21 Do you recall those questions?

22 A. Yes.

23 Q. And Mr. Synenberg asked you questions regarding the
24 information that Mr. Ryder wanted to have provided to him
25 in order to do the reconciliation.

Strader - Redirect

1 Do you recall those questions?

2 A. Yes.

3 Q. Could Star Bank have provided that information?

4 A. They could have. It was the nature of the check that
5 caused a lot of the reconciliation problems; nature of the
6 check being a money order that someone, one of their
7 customers, could carry around, put in a wallet and it
8 became damaged. Most of those checks were the micro line.

9 Q. Is that the encoding line?

10 A. Yes. A lot of the time that gets damaged so because
11 all the money orders were channeled through the Federal
12 Reserve -- the Federal Reserve Bank in Cleveland only
13 repairs so much. They will only repair the account number
14 and the bank routing number and they would slot those
15 checks into a very thin envelope and re-encode that
16 information on the bottom of that envelope and send the
17 checks to Star Bank.

18 At that point, you know, if we're just going to
19 process them, whatever information is on that encoding line
20 and send them with a statement off to the client.

21 Q. Mr. Ryder was complaining he didn't have the actual
22 item number, correct?

23 A. The check number, correct.

24 Q. Could Star have provided that to them?

25 A. Yes, for a fee.

Strader - Redirect

1 Q. Did you inform them of that?

2 A. Yes.

3 Q. Were they willing to pay the fee?

4 A. No, they didn't want to pay any additional service
5 charges.

6 Q. You were asked questions about how the controlled
7 disbursements accounts operated in conjunction with the
8 zero balance accounts. I would like to follow up on those
9 questions briefly.

10 Problems that arose in the summer of 1996 arose
11 because what types of items were being written out of the
12 zero balance account?

13 A. When the new software detected a large kiting
14 suspect, they began reviewing the items that were deposited
15 into the main operating account which funded the ZBA
16 disbursement account and began reviewing items that went
17 through the disbursement accounts.

18 Some of the checks were not money orders; they were
19 very large dollar items written out to cash.

20 Q. Where were those items deposited?

21 A. As I recall, it was Huntington bank.

22 Q. So the Abbouds were writing large dollar amount
23 checks out of this money order account to another bank?

24 A. Correct.

25 Q. What was supposed to be happening in that account?

1 A. They were only supposed to clear money order checks
2 and those were amounts, the checks were only made up to
3 \$300.

4 Q. What were the dollar amounts on these items you were
5 seeing going to other banks?

6 A. As I recall, they were about in \$10,000 increments.

7 Q. Were they even dollar amounts?

8 A. Correct.

9 Q. Mr. Synenberg showed you Exhibit JJ and read you the
10 statement from Mr. DeBoe. There was a concern that Star
11 was funding the business of the Abbouds interest-free. Let
12 me get the exact wording, just so I get it right. The
13 concern is "We're funding their business growth interest
14 free."

15 Was that a concern of people at Star Bank at the time
16 you closed out their accounts in 1996?

17 A. Yes.

18 MR. KALL: I have no further questions, Your
19 Honor.

20 THE COURT: Recross-examination?

21 MR. SYNENBERG: Briefly, Your Honor, if I
22 may.

23 THE COURT: Yes, providing you're confined to
24 the redirect.

25 RECROSS-EXAMINATION OF CAROLINE STRADER

1 BY MR. SYNENBERG:

2 Q. You just talked about that they were only supposed to
3 clear money order checks in the account.

4 Was there a written agreement to that effect?

5 A. No, it was assumed that they would only be money
6 order checks.

7 Q. When in 1996 there was discovery because of this new
8 software, did you have the opportunity to go back and see
9 how many years the Abbouds had been writing these large
10 checks?

11 A. No, I didn't request to see it or follow up with it
12 based on the fact that security was involved. My direction
13 was to just -- I was given the direction to begin closing
14 the accounts and making sure whatever checks were clearing
15 were funded by good available funds.

16 Q. Just so I have a clear understanding, there is no
17 written agreement that it was only supposed to be money
18 orders, correct?

19 A. Correct.

20 Q. There were large checks all of a sudden called to the
21 attention of Star Bank because of the new computer program
22 that had been put in, correct?

23 A. Uh-huh.

24 THE COURT: Ma'am, we don't know what uh-huh
25 means.

1 THE WITNESS: I'm sorry, yes.

2 Q. And the large checks were all of a sudden caught
3 because of the new computer program that had been installed
4 in Star Bank, correct?

5 A. Yes.

6 Q. You don't have any idea how many years the Abbouds
7 had been writing the large checks for, is that correct?

8 A. Correct.

9 Q. It could have been the entire duration of the
10 relationship since 1992 but you don't know?

11 A. That's correct.

12 MR. SYNENBERG: Thank you.

13 THE COURT: You may step down.

14 THE COURT: Witness excused.

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C E R T I F I C A T E

I certify that the foregoing is a correct transcript from the record of proceedings in the above-entitled matter.

Marian E. Banno
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